

November 29, 2005

To: Washington Learns K-12 Advisory Committee Members
From: Jennifer Priddy, Assistant Superintendent of K-12 Finance, OSPI
Denise Graham, K-12 Budget Assistant to the Governor

Subject: The Selection of the Consultant to Conduct the K-12 Finance Study

The Request for Proposals

The legislation that created Washington Learns (Chapter 496, Laws of 2005) calls for a comprehensive K-12 finance study, including the identification of efficiencies in school district spending practices and potential changes to the current finance system. To that end, the Request for Proposals (RFP) for a K-12 Funding Analysis called for bids for an efficiency and adequacy analysis of Washington State's K-12 finance system. The RFP noted that it is the expectation of the Washington Learns Steering Committee that this study help identify how best to distribute current dollars and help determine whether additional funding is necessary to achieve Washington's standards.

The products of the analysis will include alternative funding models and a final report that provides options to change the state's current K-12 finance system and a discussion of any adverse impacts of each option presented.

The RFP specified that the study should use the successful schools methodology and at least one other nationally recognized approach: statistical methodology, evidence-based approach, or the professional judgment model. Briefly:

- The successful schools approach estimates adequate funding levels by examining the expenditure patterns of schools currently meeting a definition of success.
- The econometric or statistical methodology is designed to explain factors that account for differences in spending while statistically controlling for student performance.
- The evidence- or research-based approach estimates adequate funding levels based on the published costs of implementing whole-school, systemic reform programs.
- The professional judgment model relies on educators to identify resources necessary to produce desired outcomes. School and district costs are calculated from market prices for identified resources.

The costing models that will be a product of the study should include the following components:

- Adequate salary and benefit levels and other assumptions such as extended learning, class size, professional development, etc.
- Specific funding adjustments for special education, bilingual students, and remedial (Learning Assistance Program) populations that will enhance districts' ability to serve these students effectively and efficiently. (Pupil transportation funding, which is the subject of a current study by the Joint Legislative Audit and Review Committee, and capital expenditures are specifically excluded.)
- Options for adjustments to address regional funding challenges.

The RFP Evaluation Process

The proposal evaluation team consisted of Jeff Vincent, K-12 Advisory Committee member; Randy Parr, Washington Education Association; Steve Nielsen, CFO, Seattle School District; Jack Daray, consultant to the Seattle and Spokane School Districts; Bryon Moore, K-12 fiscal analyst for the Senate Ways and Means Committee; Judy Hartmann, Governor's K-12 Policy Adviser; and the two writers of this briefing memo.

Of the three proposals received, the evaluation team selected two for subsequent interviews. Based on these interviews, the evaluation team recommended that Picus and Associates be selected as the successful bidder.

Background and Experience of Consultants

Picus and Associates, led by Lawrence O. Picus and Allan Odden, is an independent school finance consulting group that has worked extensively with states and local school districts over the past several decades. Picus is Professor of Education at the USC Rossier School of Education and holds a Ph.D. in Public Policy Analysis from the RAND Graduate School. Odden is Professor of Educational Leadership and Policy Analysis at the University of Wisconsin – Madison, and co-director of the Consortium for Policy Research in Education; he earned a Ph.D. from Columbia University. The proposal identifies a number of additional individuals who they will draw on as needed to complete the study. Of particular note, Marge Plecki of the College of Education at the University of Washington will work with Odden and Picus on this study.

Picus and Odden have conducted school finance adequacy studies in several other states, including Kentucky, Arkansas, Wyoming and Arizona. In each of the adequacy studies they have conducted, they have used the evidence-based approach. As they state in their proposal, the process they have developed is “highly interactive with policy makers in each state where we work, and designed to be responsive to the individual needs of the

state.” They have also conducted school finance equity studies in almost 25 states, and assessments of the implementation and impact of school finance reforms in many other states.

Study Methodology

As noted above, the Request for Proposals required that the financial analysis be conducted using the successful schools model and at least one other approach. The other approach that Picus/Odden and Associates will use is the evidence-based method. The purpose of this memo is to summarize the two approaches as Picus/Odden will be doing them.

Successful Schools (District) Study

The Successful Schools method identifies districts that meet an agreed upon level of performance, estimates the costs associated with operation of schools in the districts, and then uses weighted-averages of the expenditures in the successful districts to estimate the costs of insuring adequacy across all school districts in the state. The consultant will also evaluate resource allocation strategies at the school level in the successful school district.

Critical to the process is the involvement of the Washington Learns committee members in defining criteria of success and the affect different choices will have on the estimate of the costs of an adequate system. In general, the consultant proposes to bring to the committees a list of potential criteria for identifying successful districts and provide recommendations as to which would be most useful in estimating levels of funding adequacy. With these criteria the consultant will develop an overarching list of successful school districts across the state. In addition, the consultant will identify successful school districts for categories of district characteristics that reflect various education challenges; for example, poverty concentration, or urban and rural challenges. The consultant will also consider the time-frame of success, and attempt to identify districts that have been successful over a 3-5 year time frame. Finally, a “trimming” process may be employed to exclude extremes (high or low expenditures per pupil or high or low district wealth) to ensure that “successful districts” are replicable statewide.

Once the “successful” school districts are identified, the consultant will conduct field studies of 10-12 districts and at least three schools in each, to identify if clear resource expenditure patterns are employed to produce higher achievement. The field studies are intended to test whether or not broader implementation of the strategies would lead to success in additional schools/districts. Further, the successful school districts are used to project adequate funding, and what weightings should be applied to special student populations and or district characteristics to extrapolate adequate funding levels to all school districts.

Evidence-Based Study

The Evidence-Based approach relies on research findings to develop three prototype schools (elementary, middle, and high), including the resources and specific strategies that should and should not be employed to improve achievement and ensure an adequate education.

Picus/Odden will work with Washington Learns members to develop a detailed specification of a prototype model on which to base the evidence-based analysis. In addition, Picus/Odden will seek input on the prototype model through a series of professional judgment panels across the state. The panelists will be individuals selected from successful educational settings across the state and will review the prototype model and consultant recommendations and ensure that each is appropriate for Washington students.

Common components of a prototype school are:

- Core-subject and specialist-subject teachers, and staffing
- Instructional and library materials
- Strategies for struggling students;
- Adjustments for special-needs students (and concentrations of)
- Career and technical education
- Professional development
- School administration
- Pupil support and family outreach
- Technology
- District administration
- Preschool and
- Special education

The consultant will not address pupil transportation and capital costs, as the RFP excludes these from the study scope of work. (The Joint Legislative Audit and Review Committee is conducting a study of pupil transportation adequacy.)

Compensation

As part of the Evidence-Based approach, the consultant will identify what level of compensation is adequate, including an analysis of labor market data for Washington State. The consultant, upon request, may also suggest an alternative teacher salary structure.

Specific Components of the Cost Structure

The prototype model specifies each cost component and details clear strategies and resources to meet the needs of struggling students, with resources increasing as intensity of student need increases. Specific recommendations will be made for Special Education, English Language Learners (ELL), compensatory education, and gifted and talented education.

Regional Funding Challenges

The consultant will develop a Hedonic Wage Index to accommodate the geographic price and cost differences across the state. The hedonic index measures the relative price/cost of attracting quality staff, and adjusts for the value of amenities in different regions and thus the amount of resources necessary to attract qualified teachers and staff in less desirable areas of the state.

Efficiency and Effectiveness

The consultant will employ several strategies to evaluate efficiency and effectiveness throughout the study. The consultant will conduct field studies to identify schools/districts that have resource expenditure patterns consistent with research-proven expenditure patterns and consequently the identification of expenditure patterns not proven to improve student achievement. Further, the consultant will comment specifically on the number and make-up of categorical grant programs and how the state may gain efficiencies by combining programs. The consultant will also provide recommendations for grant-based programs that could be redesigned or eliminated and rules and regulations that work against the effective delivery of education services.

Proposed Schedule of Meetings

The consultant's proposal, interview, and reference checks all indicate that the consultant is prepared and eager to meet and consult frequently throughout the study process. The proposal references frequent meetings with the Washington Learns membership as well as state and local education officials.

On December 12th, Larry Picus will brief Steering Committee members on the study methodology and the proposed work plan, and will seek the Committee's approval of the following proposed meeting schedule:

PROPOSED SCHEDULE OF DELIVERABLES FOR THE K-12 FUNDING ANALYSIS FOR WASHINGTON STATE

Committee Meeting Date			
Month	Steering	K-12 Advisory	Activity or Product
December	12		Briefing on Evidence-Based Model and Successful Schools Criteria Briefing on Proposed Work Plan Work Plan Due December 16
January		24	Discussion of Evidence-Based Report Develop criteria for Successful District Study
February		21	Discussion of Evidence-Based Report Salary structure Initial discussion of funding formulas/programs
March		23	Discussion of Evidence-Based Report Salary structure
April	10		Review work to date of Advisory Committee
April		18	Successful District Study Report Discussion Hedonic Index
May	15		Successful District Study Report Discussion Hedonic Index
May		23	Cost of Evidence Based and Successful District Discussion – per pupil and school basis Report on school uses of resources Report on efficiencies
June	14		Cost of Evidence Based and Successful District Discussion – per pupil and school basis Report on school uses of resources Report on efficiencies
June		28	Internal Draft of Full Report Successful Schools Evidence Based Salary Structure Hedonic Index Efficiency Study Funding formulas/programs

July	10		Internal Draft of Full Report Discussion with Steering Committee
July		18	Draft for Distribution prepared
August	7	22	Presentation of Report to Committees
September	12	19	Final Report and Cost Models
October	9	17	Meetings and presentations as requested
November	13		Meetings and presentations as requested
December			Meetings and presentations as requested
January			Meetings and presentations as requested